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MULTINATIONAL PROGRAMMING AND OPERATIONAL CENTRE (ECA/MULPOC) FOR NORTH AFRICA

Seventh Meeting of the Committee of Experts

Tangier, Morocco
25-26 March 1987

MULTINATIONAL PROGRAMMING AND OPERATIONAL CENTRE (ECA/MULPOC) FOR NORTH AFRICA

Meeting of the Council of Plenipotentiaries

Tangier, Morocco
27-28 March 1987

ISSUES RELATING TO THE ESTABLISHMENT OF A PREFERENTIAL TRADE AREA FOR THE NORTH AFRICAN COUNTRIES

(A Note by the ECA secretariat)

I. INTRODUCTION

1. Intra-African trade is presently the most critical element for attaining a faster rate of economic recovery and growth in North Africa (Algeria, Egypt, Libya, Morocco, Sudan and Tunisia). It will be recalled that the Lagos Plan of Action for the implementation of the Monrovia Strategy for the Economic Development of Africa and the Final Act of Lagos adopted by the African Heads of State and Government in April 1980, specifically called for the establishment of a preferential trade area for North African States as a matter of priority. It is now almost seven years since the Plan of Action was adopted and yet North Africa remains the only subregion without any institution for promoting intra-subregional trade and co-operation.

2. A number of resolutions and recommendations have also been adopted by the Conference of African Ministers of Trade and by the Tangier-based MULPOC Policy Organs calling for closer economic co-operation among countries within each subregion. More recently, Africa's Priority Programme for Economic Recovery 1986-1990 (APPER), adopted by the Assembly of Heads of State and Government of the Organization of African Unity (OAU) at its twenty first ordinary session and the United Nations Programmes of Action for African Economic Recovery and Development 1986-1990, adopted by the Special Session of the United Nations General Assembly on the critical economic situation in Africa in 1986, further stressed the need to consolidate African co-operation especially at subregional level, based on economic criteria.

3. The purpose of this brief note is to outline the main issues pertaining to the establishment of a Preferential Trade Area for North Africa as a means for accelerating the rate of growth and development through intra-African trade and collective self-reliance. Section II briefly outlines the current situation of intra-African trade in the area and the potentials for expansion as a basis for the proposed PTA. Section III presents a case for the PTA while Section IV shows the structure and institutional framework for achieving the above objective. Annex I contains the Draft Memorandum of Understanding for the Establishment of a Preferential Trade Area for North Africa and Annex II is the Draft Timetable for intergovernmental negotiating meetings relating to the Treaty for the PTA in North Africa. The meeting is requested to consider the adoption of the Memorandum of Understanding to give the required mandate to the ECA secretariat to proceed with the work.

II. SITUATION AND PROSPECTS FOR INTRA-AFRICAN TRADE WITHIN NORTH AFRICAN COUNTRIES

4. Intra-African trade among the North African countries has grown rather sluggishly between 1981 and 1984 despite the large potentials which now exist. However, prospects for the future are hopeful. The total intra-African imports rose from US$267.8 million in 1981 to US$299.5 million in 1984 an increase of about 8.9 per cent. Intra-subregional exports on the other hand dropped from US$307.7 million to US$290.9 million during the same period. Algeria, Tunisia and Libya had the highest level of intra-subregional trade during the period while Sudan, Tunisia and Algeria had the highest imports from their neighbours.

5. An examination of the productive trade structures of the North African countries indicates tremendous potentials and opportunities for intra-subregional trade in products which are heavily consumed in neighbouring States but which are currently not taken advantage of by the member States. A summary of the trade structures is given in the next few paragraphs.

6. Algeria: the country produces a wide range of agricultural and horticulture products such as citrus fruits, grapes, wines, potatoes, tobacco, livestock (sheep, goats, camels, cattle) dairy products, fish, wheat and barley. In the mining and manufacturing industries, crude petroleum, leather goods, natural gas, phosphates, iron, textiles, electrical goods, paper and pulp and building materials are among the products that can be exchanged at the subregional level.

7. Egypt has a limited range of agricultural products such as rice, wheat, barley, cotton and sugar, as well as a large fishing industry. The country produces salt, phosphates, crude petroleum and natural gas. However, Egypt has a competitive advantage in the production of consumer goods such as textiles, and foodstuffs and plastics which can be traded with the other countries in the subregion.

8. Libya has a narrow agricultural industry and imports large quantities of food. However, she produces vegetables, legumes and livestock for the domestic market. Libya has a considerable advantage in the production of crude petroleum and natural gas as well as amonia/urea.

9. Morocco has a highly developed agricultural industry such as cotton, citrus fruits, vegetables, olives, oilseeds, cattle, sheep, goats and poultry. Fishing is also a major industry. Morocco also produces about one-third of the world's phosphate rock and exports phosphates and phosphate derivatives, copper, cement, sugar, textiles, plastics, paper and timber. She imports large quantities of petroleum and petroleum products which other countries in the subregion possess.

10. Sudan: the mainstay of the Sudanese economy is agriculture with sorghum, millet, wheat and rice as the principal crops. Oilseeds, meat, fruits and vegetables are also important. Sudan has a very large herd of livestock (cattle, meat, goats and camels) and is also richly endowed with fish and wood and timber. Her manufacturing industry is limited but cotton and cotton textiles are an important product and so are sugar and cement.

11. Tunisia: agriculture accounts for less than one-fifth of the Gross Domestic Product. The principal crops are wheat, barley, olives, grapes and citrus fruits. Tunisia imports about 60 per cent of its milk and 40 per cent of cereals; these could be supplied subregionally. In the mining and manufacturing industries, phosphates and fertilizers are important followed by crude petroleum.

the country also exports phosphate rock, phosphoric acid and phosphate fertilizers. Textiles and food, as well as construction materials, mechanical and electrical goods, sugar, paper and wood are also important products which can be exported.

III. THE RATIONALE FOR A PTA FOR NORTH AFRICA

12. The development and expansion of intra-African trade opportunities identified in Section II, requires three essential inter-related elements (a) the existence of a strong and effective institutional machinery (b) the existence of a trade information net-work and (c) the existence of actual or potential goods and services to be traded intra-subregionally. In the North African subregion, the potential for trade exists in view of the fairly developed level of manufacturing and processing industries in most of the countries. However, the countries lack a constant and up-to-date flow of information.

13. The proposed PTA for North Africa will consist of six countries with land surface area of about 8,259,000 square kilometers with a population of 121.9 million in 1984. The total Gross Domestic Product (GDP) at current market price stood at US$139,551 million in 1984. There is therefore ample evidence of high purchasing power and the existence of growing national markets for agricultural and manufactural production. This provides great potentials for increasing industrial production through intra-subregional market restructioning agricultural processing including food and livestock production and the expansion of coastal shipping industry. In fact, this subregion has greater chances of success in promoting trade among them than other subregions.

14. In addition to the market potentials, several practical factors strengthen the case for establishment of a PTA for North Africa but for the purposes of this brief note only the following are highlighted

(a) All the countries of the subregion share a common social and cultural heritage and background they have a common language (Arabic) and a common religion (Islam).

(b) All countries of the subregion have a sea-coast and fully developed maritime transport and port facilities these would not only facilitate trade among them but would make it easy to establish a common shipping line. They would experience relatively less serious problems in transit trade. Furthermore all of them have international airlines and good communications systems.

(c) There is a wide range of industrial intermediate and consumption goods already in existence in the subregion forming a solid basis for intra-subregional trade. The level of industrial manufacturing and agricultural processing is very high in most of the countries. Consequently, the potentials for accelerating the rate of growth and development are enormous.

(d) Intra-African trade between most of these countries has already been developed and only needs to be encouraged through effective institutions such as the proposed PTA.

(e) Some of the countries are already members of the Maghneb Permanent Consultative Committee which was one of the earliest economic groupings in Africa. Therefore, the idea of co-operation is not new to North Africa.

IV. STRUCTURE AND MECHANISMS FOR THE PROPOSED PTA

15. The decision concerning the institutional structure for the proposed PTA will be determined by the member States through consultations and negotiations. The main point to stress is that the PTA will be the main institutional framework for trade and co-operation in the area. Based on experiences in other subregions in Africa and elsewhere in the world, the PTA for North Africa might decide to have the following institutions:

(1) The Authority made up of Heads of State and Government. This would be the supreme organ of the Preferential Trade Area whose decisions shall be final and binding upon the member States.

(2) The Council of Ministers whose primary function is to keep under constant review the proper functioning of the development of the PTA, submit reports and make recommendations to the Authority on how best to implement its Treaty provisions.

(3) The Secretariat whose responsibility is to ensure the day-to-day execution of the PTA programmes.

(4) The Tribunal which will be a judicial organ whose main functions is to ensure the proper interpretation and application of the Treaty provisions and to adjudicate upon any disputes arising from the relations of the member States under the Treaty.

(5) The Intergovernmental Commission of Experts and Technical Committees to deal with sectoral issues before they are submitted to the Council of Ministers for consideration and decision.

16. The Preferential Trade Area might also decide to establish other subsidiary institutions which would constitute an integral part of the Treaty. These might include (a) a Payments and Clearing House to assist in facilitating payments for intra-subregional trade transactions without the need for huge amounts of hard or convertible currencies (b) a Trade and Development Bank to assist in financing trade and development of the member States (c) a Trade Documentation and Information Service to ensure a regular flow of reliable and up-to-date trade, monetary and financial information among the member States.

17. In order to ensure an effective link between trade and other main economic sectors and to ensure that these sectors contribute effectively to the objectives of the PTA, the member States might wish to adopt several 'Protocols' to give the required focus on other sectors. These might include

(i) Protocol on the Reduction and Elimination of Trade Barriers on selected commodities to be traded within the PTA;

(ii) Protocol on Customs Co-operation within the PTA;

(iii) Protocol on the Rules of Origin for products to be traded within the PTA;

(iv) Protocol on Transport and Communications;

(v) Protocol on Re-export of Goods within the PTA;

(vi) Protocol on Maritime and Shipping;

(vii) Protocol on Co-operation in Industrial Development;

(viii) Protocol on Co-operation in Agricultural Development;

(ix) Protocol on Simplification and Harmonization of Trade Documentation and Procedures;

(x) Protocol on Standardization of Production and Quality Control;

(xi) Protocol on Clearing and Payments Arrangements.

18. It is important to stress at this stage that while these protocols would constitute an integral part of the Treaty, they all need not come into operation at the same time. Therefore, their implementation may be achieved in stages as dictated by the trade and economic development situations within the member States. Similarly, all member States may not be obliged to subscribe to all the protocols.

V. OBSERVATIONS

19. From the foregoing analysis, it must be stressed that intra-African trade is the most effective instrument for attaining recovery and growth in North Africa. It is also the surest means of attaining collective self-reliance called for in the Lagos Plan of Action. But this cannot be achieved within an institutional vacuum, a Preferential Trade Area needs to be created without delay.

20. It is evident that there is a large potential for intra-subregional trade for North African countries. The agricultural, industrial and manufacturing base is varied giving considerable opportunities for trade expansion among them. However, the present levels of trade among them cannot be substantially increased without an appropriate and effective institutional machinery for the purpose.

21. The following observations are pertinent as a guide towards decisions to establish the proposed PTA

(a) The establishment of a Preferential Trade Area is the simplest form of economic integration among nations and one of the most effective ways of promoting intra-African trade. It does not involve the surrender of national sovereignty and can be achieved without the involvement of all other major economic sectors. Therefore, it is strongly recommended that the countries of North Africa should start negotiations, without delay, on the establishment of a Preferential Trade Area among them.

(b) In North Africa, as in all other parts of Africa there are real political problems standing in the way of economic co-operation at all levels. However, a political will exists to find ways of surmounting any such political obstacles.

(c) While it would be useful if all countries in North Africa signed and ratified the Treaty establishing the PTA right from the start, there is no reason why some countries cannot do so after it has come into operation. Consequently, the PTA can start its operation even if only three countries have ratified its Treaty.

22. In conclusion, it is fully recognized that the establishment of a Preferential Trade Area is not a panacea for solving all development problems facing the North African countries. However, ample empirical evidence exists to suggest that other subregion, such as the Preferential Trade Area for Eastern and Southern African States, have actually increased the level of trade among them. Therefore, the sine qua non for intra-subregional trade expansion is the establishment of an effective trade institution. The meeting is requested to adopt Annexes I and II to this paper as the basis for the commencement of actual preparations for negotiations for the establishment of the PTA.

ANNEX I

DRAFT MEMORANDUM OF UNDERSTANDING AND COMMITMENT FOR THE ESTABLISHMENT OF A PREFERENTIAL TRADE AREA IN NORTH AFRICA

We, the Plenipotentiaries, convened in an ordinary session of the Council of Plenipotentiaries of the Tangier-based Multinational Programming and Operational Centre (MULPOC) held in Tangiers from 27 to 28 March 1987,

Recalling the Lagos Plan of Action and the Final Act of Lagos which stipulated, among other things, that member States 'within the framework of their respective MULPOCs based at Gisenyi, Yaounde and Tangier, should commence negotiations among themselves as soon as possible with a view to establishing appropriate preferential trade areas or similar institutions not later than December, 1984. In this connection, the establishment of a preferential trade area for North African States should be accorded appropriate priority',

Bearing in mind Africa's Priority Programme for Economic Recovery 1986-1990 adopted by the Twenty-first session of the Assembly of Heads of State and Government of the Organization of African Unity held in July 1985 which inter alia, adopted a Common Platform for Action among member States of the Organization of African Unity calling for the conclusion of multinlateral clearing arrangements at subregional, regional and continental - levels so as to reduce the need for convertible currencies in intra-African trade transactions,

Recognizing the vital role which intra-African trade can play in the socio-economic development of the North African countries and also in fostering collective self-reliance,

Further recalling resolution No.1 on Trade Promotion in North Africa adopted by the Council of Plenipotentiaries at its meeting held in April 1985 and calling upon the secretariat to "examine the possibility of establishing the institutional framework to promote a preferential trade area for the countries of the subregion,

Reiterating resolution 568 (XXI) adopted by the Conference of Ministers at its session held in April 1986 inviting member States to accelerate the process of economic integration within existing subregional groupings and to promote the establishment of economic integration mechanisms in the subregions where they do not yet exist, inter alia, by assisting the Multinational Programming and Operational Centres in convening an intergovernmental expert meeting to study trade measures and policies, particularly those relating to the project for the establishment of a preferential trade area and a payments and clearing system for North African States,

ANNEX I (continued)

Determined to enhance the socio-economic prosperity of our peoples through appropriate institutions for trade and economic co-operation;

HAVE HEREBY REACHED THE FOLLOWING UNDERSTANDING:

1. that we REAFFIRM the acceptance and commitment of our respective Governments to the establishment of a Preferential Trade Area for North African countries as a first step towards the eventual creation of an Economic Community of North Africa States;

2. that our respective Governments UNDERTAKE to institute negotiations for a Treaty for the Establishment of a Preferential Trade Area and a Payments and Clearing Arrangement and related Protocols as may be required under such Treaty and to obtain ratification of the same in accordance with the constitutional procedures of our respective Governments and for these purposes HEREBY ESTABLISH an Inter-governmental Negotiating Team composed of representatives of our respective Governments to prepare the drafts of such Treaty, Agreements or Protocols for our consideration and approval;

3. that our Governments FURTHER UNDERTAKE that for the purposes to be set forth in the Treaty, our respective Governments shall so direct and execute their policies and plan their economic activities in such a manner as to create conditions favourable to the achievement of the objectives of the Treaty and in particular that each of our respective Governments shall take all appropriate measures to enact legislation as will be necessary to give effect to the Treaty for the establishment of a Preferential Trade Area for North African States.

ANNEX II

DRAFT TIMETABLE FOR NEGOTIATIONS ON THE ESTABLISHMENT OF A PREFERENTIAL TRADE AREA

October 1987	- Inaugural meeting of an Intergovernmental Negotiating Team (INT) experts from the Ministers of Trade, Finance, Industry and Agriculture to establish the framework for negotiations. The meeting will consider:
	(1) the draft rules of procedure for the negotiating teams;
	(2) the composition of the negotiating teams, the frequency of negotiation meetings;
	(3) the substantive matters for discussions in future meetings; and
	(4) the scope for future co-operation, trade, industry, agriculture, transport, finance, and issues to be included in the Draft Treaty on the Establishment of the PTA.
March 1988	- Progress Report to Tangier MULPOC Policy Organs meetings.
June 1988	- Second meeting of the INT Draft Treaty on the Establishment of the PTA.
November 1988	- Third meeting of the INT Revised Draft Treaty Establishing the PTA.
March 1989	- Progress Report to the Tangier MULPOC Policy Organs meetings.
July 1989	- Fourth meeting of the INT Revised Draft Treaty Establishing the PTA.
November 1989	- Fifth meeting of the INT Finalization of the Draft Treaty Establishing the PTA.
March 1990	- Submission of Report to the Policy Organs Meetings of the MULPOC for a decision on convening of Conference of Ministers to approve the Treaty and fixing the dates for Heads of State Meeting to adopt the Treaty.

ANNEX II(continued)

June 1990	- Meeting of Ministers of Trade, Industry and Economic Planning to finalize the Treaty and negotiate location of the PTA and Clearing House secretariats.
September 1990	- Meeting of Heads of State to sign the Treaty and endorse recommendations of Ministers.
October to December 1990	- Recruitment of secretariat staff and establishment of the PTA and Clearing House secretariats.